

**Community Health Center of Branch County
A Component Unit of Branch County, Michigan**

Accountants' Report and Financial Statements

December 31, 2005

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Community Health Center of Branch County,	County Branch
Fiscal Year End 12/31/05	Opinion Date 3/2/06	Date Audit Report Submitted to State 4/20/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input type="checkbox"/>	Already filed	
The letter of Comments and Recommendations		<input type="checkbox"/>	Already filed	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BKD LLP		Telephone Number 260-460-4000		
Street Address 202 West Berry, Suite 500		City Ft Wayne	State IN	Zip 46802
Authorizing CPA Signature <i>Thomas P. Cottrell</i> CPA		Printed Name Tom Cottrell		License Number CP09100234

TOTAL P.02

Community Health Center of Branch County
A Component Unit of Branch County, Michigan
December 31, 2005

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Community Health Center of Branch County
Coldwater, Michigan

We have audited the accompanying balance sheet of Community Health Center of Branch County, a component unit of Branch County, Michigan as of December 31, 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Health Center of Branch County, a component unit of Branch County, Michigan as of December 31, 2005, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, in 2005, the Community Health Center of Branch County changed its method of determining its financial reporting entity by retroactively restating prior years' financial statements.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual organizations, and is not a required part of the basic financial statements. The supplementary information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD

March 2, 2006

202 W. Berry Street, Suite 500 Fort Wayne, IN 46802-2272 260 460-4000 Fax 260 426-2235

Community Health Center of Branch County

A Component Unit of Branch County, Michigan

Management's Discussion and Analysis

Year Ended December 31, 2005

Introduction

The discussion and analysis of Community Health Center of Branch County's (Hospital) financial statements provide an overview of the Hospital's financial activities for the year ended December 31, 2005. It should be read in conjunction with the accompanying financial statements. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with the discussion and analysis.

Using This Annual Report

In June 1999, GASB (Governmental Accounting Standards Board) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole.

The major changes from the fund basis financial statements presented by the Hospital in the past and the "one-line look at the entity as a whole" are as follows:

- New reporting standards – Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows
- Establishing an operating and nonoperating basis of reporting whereby revenue that are charges for services are recorded as operating revenue. Essentially all other types of revenue are nonoperating or other revenue
- Reporting net assets versus fund balance by donor classification
- Reporting interest expense as a nonoperating expense versus operating expense
- Reporting provision for bad debt expense as contra revenue versus operating expense

This annual financial report includes the report of independent auditors, this management discussion and analysis, the financial statements in the above referred format and notes to financial statements.

These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the "economic resources measurement focus" and the accrual basis of accounting. The "economic resources measurement focus" refers to our acceptance of FASB (Financial Accounting Standards Board) rules unless in conflict with GASB (Governmental Accounting Board) rules.

Financial Highlights

The Hospital's financial position including the Hospital and Community Health Center Foundation, Inc. (Foundation) improved during the year ended December 31, 2005. The current assets increased by approximately \$5,570,000 or 30% from the prior year. A substantial portion of this increase is due to current assets generated from 2005 operations as well as proceeds from the issuance of long-term debt.

In total, the Hospital's net assets increased approximately \$1,213,000 or 4% from the previous year. Over 95%, or approximately \$1.15 million, of this increase was attributable to improved hospital operations.

In the year ended December 31, 2005, the Hospital's revenue and nonoperating income exceeded expenses, creating an increase in net assets of \$1,212,894, compared to a \$1,563,484 increase in the previous year. The most significant increase in expenses was associated with fringe benefits which increased to 28.3% of salaries in FY 2005 from 25.4% of salaries in FY 2004. The primary cause of this increase was attributable to employee health insurance.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any Hospital's finances is "Is the Community Health Center of Branch County as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. The Hospital's total net assets—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Combined Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Hospital's net assets increased by \$1,212,894 (4%) in 2005 over 2004, and by \$1,563,484 (5%) in 2004 over 2003, as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2005	2004	2003
Assets			
Patient accounts receivable, net	\$ 4,921,567	\$ 5,162,992	\$ 5,080,166
Other current assets	18,932,654	13,121,686	10,548,929
Capital assets, net	19,808,951	21,062,389	22,183,508
Other noncurrent assets	<u>2,064,034</u>	<u>2,715,251</u>	<u>2,590,778</u>
Total assets	<u>\$ 45,727,206</u>	<u>\$ 42,062,318</u>	<u>\$ 40,403,381</u>

	2005	2004	2003
Liabilities			
Long-term debt	\$ 5,137,526	\$ 3,490,000	\$ 3,700,000
Other current liabilities	<u>5,263,821</u>	<u>4,459,353</u>	<u>4,153,900</u>
Total liabilities	<u>10,401,347</u>	<u>7,949,353</u>	<u>7,853,900</u>
Net Assets			
Invested in capital assets, net of related debt	13,627,675	16,526,139	17,434,758
Restricted expendable	2,741,660	2,559,515	1,607,136
Unrestricted	<u>18,956,524</u>	<u>15,027,311</u>	<u>13,507,587</u>
Total net assets	<u>35,325,859</u>	<u>34,112,965</u>	<u>32,549,481</u>
Total liabilities and net assets	<u>\$ 45,727,206</u>	<u>\$ 42,062,318</u>	<u>\$ 40,403,381</u>

A significant change in the Hospital's assets in 2005 is the decrease in patient accounts receivable. Although net patient service revenue increased in 2005 by \$8,029,631 (16%) as compared to 2004, net patient accounts receivable decreased by \$241,425 (5%) or 1.5 days of revenue at December 31, 2005 versus December 31, 2004. The decrease results primarily from improved business office operations.

Operating Results and Changes in the Hospital's Net Assets

In 2005, the Hospital's net assets increased by \$1,212,894 or 4%, as shown in Table 2. This increase is made up of several different components and represents a decline of 22% compared with the increase in net assets for 2004 of \$1,563,484. The Hospital's change in net assets increased from \$340,915 in 2003 to \$1,563,484 in 2004, an increase of 359%.

Table 2: Operating Results and Changes in Net Assets

	2005	2004	2003
Operating Revenue			
Net patient service revenue	\$ 56,002,365	\$ 50,845,101	\$ 44,824,524
Other operating revenue	<u>391,132</u>	<u>616,828</u>	<u>419,179</u>
Total operating revenue	<u>56,393,497</u>	<u>51,461,929</u>	<u>45,243,703</u>
Operating Expenses			
Salaries and wages and employee benefits	30,105,206	26,719,269	24,937,209
Purchased services and professional fees	7,703,054	7,468,995	4,768,590
Depreciation and amortization	2,788,577	2,859,008	2,718,328
Other operating expenses	<u>15,017,965</u>	<u>13,814,181</u>	<u>13,458,834</u>
Total operating expenses	<u>55,614,802</u>	<u>50,861,453</u>	<u>45,882,961</u>
Operating Income (Loss)	<u>778,695</u>	<u>600,476</u>	<u>(639,258)</u>
Nonoperating Revenue (Expenses)			
Investment income	365,713	136,438	138,582
Donations, net of program expenses	142,735	797,697	965,522
Interest expense	(151,415)	(163,953)	(169,661)
Other nonoperating revenue and expenses, net	<u>77,166</u>	<u>192,826</u>	<u>45,730</u>
Total nonoperating revenue	<u>434,199</u>	<u>963,008</u>	<u>980,173</u>
Increase in Net Assets	<u>\$ 1,212,894</u>	<u>\$ 1,563,484</u>	<u>\$ 340,915</u>

Operating Revenue

Operating revenue includes all transactions that result in the sales and/or receipts from goods and services, such as inpatient services, outpatient services, physician offices and the cafeteria.

Operating revenue changes were a result of the following factors:

- Net patient service revenue increased 10% from prior year. Gross patient revenue is reduced by revenue deductions and provision for bad debt expense. Revenue deductions are the amounts that are not paid to the Hospital under contractual arrangements primarily with Medicare, Medicaid and Blue Cross Blue Shield. These revenue deductions increased from 48.4% to 50.8% as a percentage of gross revenue.

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. Significant operating expense changes were the result of the following factors:

- Salaries, which account for approximately 41% of total operating expenses increased approximately 9%, which was primarily related to raises and staffing fluctuations associated with different volumes of occupancy and utilization.
- The most significant increase in operating expenses and revenue deductions was associated with fringe benefits, specifically employee health insurance. Domestic claims increased by nearly 52% over FY 2004 and 18% over 2004 budget.

Nonoperating Revenue and Expenses

Nonoperating revenue and expenses are all sources and uses that are primarily nonexchange in nature. They would consist primarily of donations, interest expense and investment income (including realized and unrealized gains and losses).

The Foundation received approximately \$157,000 of donations in 2005.

Statement of Cash Flows

Another way to assess the financial health of a hospital is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Changes in the Hospital's cash flows are consistent with changes in operating income and nonoperating revenue and expenses for 2005 and 2004 discussed earlier.

Statement of Cash Flows (in millions)

	2005	2004	2003
Cash Provided by (Used in)			
Operating activities	\$ 4,158,319	\$ 3,377,549	\$ 39,463
Noncapital financing activities	142,735	1,051,067	(38,595)
Capital and related financial activities	(39,028)	(2,092,587)	(2,969,985)
Investing activities	<u>(7,046,797)</u>	<u>(29,884)</u>	<u>85,563</u>
Net increase (decrease) in cash	(2,784,771)	2,306,145	(2,883,554)
Cash, Beginning of Year	<u>9,142,022</u>	<u>6,835,877</u>	<u>9,719,431</u>
Cash, End of Year	<u>\$ 6,357,251</u>	<u>\$ 9,142,022</u>	<u>\$ 6,835,877</u>

The Hospital's liquidity decreased during the year ended December 31, 2005, due primarily to investments in certificates of deposits for original terms of longer than three months, which causes the investments to be classified as short-term investments instead of cash and cash equivalents under the Hospital's policies.

Cash provided by financing activities decreased in 2005 in comparison to 2004 primarily due to a decline in donations received by the Foundation caused by donated building and land received in 2004.

Cash used on capital purchases net of related financing activities was approximately \$39,000 in 2005 in comparison to a \$2.1 million in 2004 due to \$1.9 million issuance of long-term debt in 2005.

Capital Asset and Debt Administration**Capital Assets**

At December 31, 2005, the Hospital had approximately \$20 million invested in capital assets, net of accumulated depreciation of \$38 million. Depreciation and amortization totaled \$2.8 million for the current year compared to \$2.9 million last year. Details of the cost of these assets for the past three years are shown below.

Detail of capital assets:

	2005	2004	2003
Land and improvements	\$ 2,444,188	\$ 2,386,026	\$ 2,317,323
Buildings and improvements	28,384,891	28,158,386	28,277,127
Furniture, fixtures and equipment	26,562,090	26,290,769	24,719,902
Construction in process	<u>708,438</u>	<u>32,556</u>	<u>13,702</u>
Total	<u>\$ 58,099,607</u>	<u>\$ 56,867,737</u>	<u>\$ 55,328,054</u>

Debt

At December 31, 2005, the Hospital had \$5.1 million of long-term debt outstanding as compared to \$3.5 million the previous year. The increase was due to tax-exempt funding of the Hospital addition which is being built to House the hospital's MRI and nuclear medicine equipment.

More detailed information about the Hospital's long-term liabilities is presented in the footnotes to the financial statements.

Other Economic Factors That Will Affect the Future

The economic position of the Hospital is closely tied to that of the local economy. Because of limited economic growth and increased demand for resources where reimbursement is limited by federal and state mandates, the current Medicare budget projects only an inflationary increase in funding to the Hospital in the next year. In addition, the Board of Trustees approved an increase of 5-6% in the charge structure for the 2005 fiscal year.

The Hospital's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of service.

Contacting the Hospital's Financial Management

This financial report is intended to provide our member townships and bondholders with a general overview of the Hospital's finances, and to show the Hospital's accountability for the money it receives from the member townships. If you have questions about this report or need additional information, please contact the Chief Financial Officer.



Richard E. Trufant,
Chief Financial Officer

Community Health Center of Branch County

A Component Unit of Branch County, Michigan

Balance Sheet December 31, 2005

Assets

Current Assets

Cash and cash equivalents	\$ 6,058,491
Short-term investments	2,940,893
Restricted cash and investments, current	5,388,278
Patient accounts receivable, net of allowances of \$1,357,000	4,921,567
Estimated amounts due from third-party payors	1,824,602
Inventories	1,570,913
Prepaid expenses and other	<u>1,149,477</u>
Total current assets	\$ 23,854,221

Noncurrent Cash and Investments

Restricted by donors and the Board for capital acquisitions and specific operating activities	6,618,518
Less amounts required to meet current obligations	<u>(5,388,278)</u>
	1,230,240
Investments in equity investees	<u>323,273</u>
	1,553,513

Capital Assets, net

19,808,951

Other Assets

510,521

\$ 45,727,206

Liabilities and Net Assets

Current Liabilities

Current maturities of long-term debt	\$ 382,251
Accounts payable	1,795,398
Accrued expenses	3,032,655
Estimated self-insurance costs	<u>435,768</u>
Total current liabilities	\$ 5,646,072

Long-Term Debt

4,755,275

Net Assets

Invested in capital assets, net of related debt	13,627,675
Restricted-expendable for specific operating purposes	2,741,660
Unrestricted	<u>18,956,524</u>
Total net assets	<u>35,325,859</u>

\$ 45,727,206

Community Health Center of Branch County
A Component Unit of Branch County, Michigan
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2005

Operating Revenue

Net patient service revenue, net of provision for uncollectible accounts of \$3,420,333	\$ 56,002,365
Other	<u>391,132</u>
Total operating revenue	\$ 56,393,497

Operating Expenses

Salaries and wages	23,455,829
Employee benefits	6,649,377
Purchased services and professional fees	7,703,054
Supplies	11,707,991
Other expenses	3,309,974
Depreciation and amortization	<u>2,788,577</u>
Total operating expenses	<u>55,614,802</u>

778,695

Operating Income

Nonoperating Revenue (Expenses)

Investment income	365,713
Unrealized loss on investments	(66,930)
Interest expense	(151,415)
Gain on investment in equity investee	144,096
Donations, net of program expenses	<u>142,735</u>
Total nonoperating revenue	<u>434,199</u>

Increase in Net Assets

1,212,894

Net Assets, Beginning of Year, as previously reported

31,886,844

Adjustment Applicable to Prior Years

2,226,121

Net Assets, Beginning of Year, as restated

34,112,965

Net Assets, End of Year

\$ 35,325,859

Community Health Center of Branch County
A Component Unit of Branch County, Michigan
Statement of Cash Flows
Year Ended December 31, 2005

Operating Activities		
Receipts from and on behalf of patients	\$ 59,121,709	
Payments to suppliers and contractors	(32,597,819)	
Payments to employees	(22,756,703)	
Other receipts, net	<u>391,132</u>	
Net cash provided by operating activities		\$ 4,158,319
Noncapital Financing Activity, noncapital grants and gifts		142,735
Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	1,900,000	
Principal paid on long-term debt	(252,474)	
Interest paid on long-term debt	(151,415)	
Purchase of capital assets	<u>(1,535,139)</u>	
Net cash used in capital and related financing activities		(39,028)
Investing Activities		
Interest and dividends on investments	442,879	
Purchase of investments	(14,632,363)	
Proceeds from disposition of investments	<u>7,142,687</u>	
Net cash used in investing activities		<u>(7,046,797)</u>
Decrease in Cash and Cash Equivalents		(2,784,771)
Cash and Cash Equivalents, Beginning of Year		<u>9,142,022</u>
Cash and Cash Equivalents, End of Year		\$ <u><u>6,357,251</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Cash and cash equivalents in unrestricted current assets	\$ 6,058,491	
Cash and cash equivalents in restricted current assets	<u>298,760</u>	
Total cash and cash equivalents		\$ <u><u>6,357,251</u></u>
Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided by Operating Activities		
Operating income	\$ 778,695	
Depreciation and amortization	2,788,577	
Accrued self-insurance costs	50,550	
Changes in operating assets and liabilities		
Patient accounts receivable, net	260,578	
Estimated amounts due from third-party payers	(13,602)	
Accounts payable and accrued expenses	753,917	
Other current and long-term assets	<u>(460,396)</u>	
Net cash provided by operating activities		\$ <u><u>4,158,319</u></u>

Community Health Center of Branch County

A Component Unit of Branch County, Michigan

Notes to Financial Statements

December 31, 2005

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Community Health Center of Branch County (Hospital) is a short-term, acute care hospital located in Coldwater, Michigan. The Hospital is a component unit of Branch County, Michigan (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital is organized under Public Act 230 of the Public Acts of 1987 as a county hospital corporation. The Hospital primarily earns revenue by providing inpatient, outpatient and emergency care services to patients in the Branch County area. It also operates a home health agency in the same geographic area.

Community Health Center Foundation (Foundation) is a component unit of Community Health Center of Branch County, and its financial statements have been included with those of the Hospital, using the blended method. The Foundation was established to raise funds exclusively for a comprehensive program of fund development that supports the mission and vision of Community Health Center of Branch County. The Foundation maintains a separate Board of Directors. The Hospital appoints and approves the Foundation Board.

Basis of Accounting and Presentation

The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive look at the Hospital's financial activities.

In 2005, the Hospital adopted the provisions of Government Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Community Health Center of Branch County

A Component Unit of Branch County, Michigan

Notes to Financial Statements

December 31, 2005

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2005, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. The investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Community Health Center of Branch County

A Component Unit of Branch County, Michigan

Notes to Financial Statements

December 31, 2005

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Hospital uses AHA guidelines for estimated useful lives

The Hospital capitalizes interest costs as a component of construction in progress, based on the interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest incurred was:

	<u>2005</u>
Total interest expense incurred on borrowings for MRI Building project	\$ 11,281
Interest income from investment of proceeds of borrowings for MRI Building project	<u>(9,368)</u>
Net interest cost capitalized	\$ <u>1,913</u>
	<u>2005</u>
Interest capitalized	\$ 11,281
Interest charged to expense	<u>151,415</u>
Total interest incurred	\$ <u>162,696</u>

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Compensated Absences

Vacation and paid time off are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Net Assets

Net assets of the Hospital are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

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Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Foundation is exempt from federal income tax under Section 501(c)3 of the Internal Revenue Code

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. The Foundation is considered a component unit of the Hospital and is presented as a blended component unit in the Hospital's financial statements.

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Notes to Financial Statements

December 31, 2005

Reclassifications

Certain reclassifications have been made to the 2005 financial statements from the presentation made in the 2004 financial statements. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue and Estimated Amounts Due From Third-Party Payors

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or an established fee for service methodology. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Blue Cross. Inpatient acute care services are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed based on an established fee for service methodology. The Hospital is reimbursed for essentially all services at tentative rates with final settlement determined after analysis of activity by Blue Cross.

Approximately 83% of Hospital activity is from participation in the Medicare, Medicaid and Blue Cross programs for the year ended December 31, 2005. Laws and regulations governing these programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Community Health Center of Branch County

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Notes to Financial Statements

December 31, 2005

Note 3: Deposits, Investments and Investment Income

Hospital deposits and investments information (exclusive of Foundation deposits and investments) are as follows:

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Michigan; bonds of any city, county, school district or special road district of the State of Michigan; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2005, \$7,738,000 of the Hospital's bank balances of approximately \$10,522,000 were exposed to custodial credit risk as follows:

	<u>2005</u>
Uninsured and uncollateralized	\$ 7,738,000
Uninsured and collateral held by pledging financial institutions trust department or agent in other than the Hospital's name	<u>1,867,030</u>
	<u>\$ 9,605,030</u>

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds.

At December 31, 2005, the Hospital had the following investments and maturities:

Type	December 31, 2005				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 1,790,973	\$ 321,002	\$ 1,469,971	\$ —	\$ —
U.S. agencies obligations	<u>2,064,306</u>	<u>1,768,056</u>	<u>296,250</u>	<u>—</u>	<u>—</u>
	<u>\$ 3,855,279</u>	<u>\$ 2,089,058</u>	<u>\$ 1,766,221</u>	<u>\$ 0</u>	<u>\$ 0</u>

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Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy limits its investment portfolio to maturities of five years or less.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2005, the Hospital's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated AAA by Standard & Poor's. Investments in money market funds were not rated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital's investments in sweep accounts at December 31, 2005, are held by the counterparties in the Hospital's name. The Hospital's investment policy does not address how securities underlying sweep accounts are to be held.

Concentration of Credit Risk - The Hospital limits the amount that may be invested in any one issuer to no more than 50% except for U.S. Treasury securities and at December 31, 2005, the Hospital was in compliance with this policy.

Foundation deposits and investments information (exclusive of Hospital deposits and investments) are as follows:

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. At December 31, 2005, \$0 of the Foundation's bank balances of approximately \$153,000 were exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging financial institution's
trust department or agent in other than the Hospital's name

2005

\$ 54,000

Investments

The Foundation's investment policy allows investment in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest to a limited extent in equity securities.

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Notes to Financial Statements

December 31, 2005

At December 31, 2005, the Foundation had the following investments and maturities:

Type	December 31, 2005				
	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury obligations	\$ 195,083	\$ —	\$ 104,486	\$ 90,597	\$ —
Corporate bonds	155,047	—	88,008	67,039	—
Money market mutual funds	40,915	<u>40,915</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>\$ 40,915</u>	<u>\$ 192,494</u>	<u>\$ 157,636</u>	<u>\$ 0</u>
Corporate stocks	<u>692,183</u>				
	<u>\$1,083,228</u>				

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Foundation's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At December 31, 2005, the Foundation's investments in corporate bonds were rated BB or better by Standard & Poor's. At those dates, the Foundation's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated AAA by Standard & Poor's. Investments in money market funds and mutual funds were not rated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Foundation's investments are held by the counterparties in other than the Foundation's name, not the Hospital's name. The Foundation's investment policy does not address how securities are to be held.

Concentration of Credit Risk - The Foundation places no limit on the amount that may be invested in any one issuer, but does limit the maximum of any one holding, excluding direct obligations of the U.S. government and U.S. agencies, to 5% or less of the total fund assets of any one issuer at cost or market.

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Notes to Financial Statements

December 31, 2005

Summary of Carrying Values

The carrying values of Hospital and Foundation deposits and investments shown above are included in the balance sheet as follows:

	<u>2005</u>
Carrying value	
Deposits	\$ 10,679,395
Investments	<u>4,938,507</u>
	<u>\$ 15,617,902</u>
Included in the following balance sheet captions	
Cash and cash equivalents	\$ 6,058,491
Short-term investments	2,940,893
Restricted cash and investments, current	5,388,278
Noncurrent cash and investments	<u>1,230,240</u>
	<u>\$ 15,617,902</u>

Investment Income

Investment income of the Hospital and the Foundation for the year ended December 31, 2005, consisted of:

	<u>2005</u>
Interest and dividend income	\$ 365,713
Net decrease in fair value of investments	<u>(66,930)</u>
	<u>\$ 298,783</u>

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2005, consisted of:

	<u>2005</u>
Medicare	\$ 1,057,877
Medicaid	467,984
Blue Cross	455,841
Other third-party payers and other	2,067,592
Patients	<u>2,229,273</u>
	6,278,567
	<u>(1,357,000)</u>
Less allowance for uncollectible accounts	
	<u>\$ 4,921,567</u>

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Notes to Financial Statements

December 31, 2005

Note 5: Capital Assets

Capital assets activity for the year ended December 31, 2005, were:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 1,369,253	\$ —	\$ —	\$ 1,369,253
Land improvements	1,016,773	58,162	—	1,074,935
Buildings and leasehold improvements	28,158,386	229,005	(2,500)	28,384,891
Equipment	26,290,769	575,771	(304,450)	26,562,090
Construction in progress	<u>32,556</u>	<u>675,882</u>	<u>—</u>	<u>708,438</u>
	56,867,737	1,538,820	(306,950)	58,099,607
Less accumulated depreciation	<u>(35,805,348)</u>	<u>(2,788,577)</u>	<u>(303,269)</u>	<u>(38,290,656)</u>
Capital assets, net	<u>\$21,062,389</u>	<u>\$ (1,249,757)</u>	<u>\$ (3,681)</u>	<u>\$19,808,951</u>

Note 6: Medical Malpractice Claims

The Hospital is self-insured for the first \$100,000 per occurrence and \$200,000 in aggregate of medical malpractice risks. The Hospital purchases commercial insurance coverage above the self-insurance limits on a claims-made basis for up to \$1,000,000 per incident and \$3,000,000 in the aggregate for asserted claims. Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

Activity in the Hospital's accrued medical malpractice claims liability during 2005 is summarized as follows:

Balance, beginning of year	\$ 153,615
Current year claims incurred and changes in estimates for claims incurred in prior years	65,996
Claims and expenses paid	<u>(36,597)</u>
Balance, end of year	<u>\$ 183,014</u>

On February 25, 2005, a patient's family filed suit against the Hospital for malpractice during care received as a patient of the Hospital. The Hospital believes it has meritorious defenses against the suit; however, the ultimate resolution of the matter could result in a loss. Under state law, punitive damages are determined at trial. Insurance coverage for malpractice claims, as a matter of state law, does not cover punitive damage awards. No provision has been made in the financial statements for any loss that might ultimately result from this suit in excess of insurance coverage and deductible amounts already incurred. It is reasonably possible that the Hospital's estimate of loss will change by a material amount in the near term.

Community Health Center of Branch County

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Notes to Financial Statements

December 31, 2005

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual individual amount of \$125,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2005 is summarized as follows:

	<u>2005</u>
Balance, beginning of year	\$ 231,603
Current year claims incurred and changes in estimates for claims incurred in prior years	5,895,145
Claims and expenses paid	<u>(5,873,994)</u>
Balance, end of year	<u>\$ 252,754</u>

Note 8: Long-Term Debt

Long-term debt amounts consist of two bond issues:

The Building Authority Bonds, Series 2001 (2001 Bonds) issued through the Branch County Building Authority in the original amount of \$4,000,000 dated March 1, 2001, bear interest at 4.375% to 4.500%. The 2001 Bonds are payable in annual installments through September 1, 2016, and are collateralized by a lease agreement on the building and surrounding land with the Authority and the County. In turn, the County subleases the building and land to the Hospital under the same terms. The Hospital makes payment directly to the Authority. The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage.

The 2005 Term Loan Bonds (2005 Bonds) issued in the current year in the original amount of \$1,900,000 dated October 12, 2005, bears interest at LIBOR plus 2.25%. The 2005 Bonds are payable in monthly installments through November 1, 2015. The Bonds are secured by the net revenue and accounts receivable of the Hospital and the assets restricted under the bond indenture agreement. The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.25 to 1.00, maintaining a ratio of funded debt to funded debt plus net assets of no more than .50 and maintaining minimum days of cash on hand of 75 days.

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Notes to Financial Statements

December 31, 2005

The debt service requirements for both bond issues as of December 31, 2005, are as follows (assuming the December 31, 2005, LIBOR rate of 4.47% for the entire period):

Year Ending December 31	Total to be Paid	Principal	Interest
2006	\$ 605,184	\$ 382,251	\$ 222,933
2007	608,859	403,176	205,683
2008	607,532	419,928	187,604
2009	611,734	443,054	168,680
2010	614,547	465,826	148,721
2011 – 2015	3,058,442	2,643,291	415,151
2016	<u>392,754</u>	<u>380,000</u>	<u>12,754</u>
	\$ <u>6,499,052</u>	\$ <u>5,137,526</u>	\$ <u>1,361,526</u>

Note 9: Restricted and Designated Net Assets

At December 31, 2005, restricted expendable net assets of \$2,741,660 were available for specific operating activities as designated by the donors.

Note 10: Operating Leases

Noncancellable operating leases for office space and equipment expire in various years through 2010. Total operating lease expense for 2005 was \$292,470.

Future minimum lease payments at December 31, 2005, were:

2006	\$ 708,460
2007	700,815
2008	697,655
2009	689,100
2010	<u>333,858</u>
Future minimum lease payments	\$ <u>3,129,888</u>

Note 11: Pension Plan

Plan Description

The Hospital contributes to the Branch County Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the County of Branch, Michigan. The ability to establish and amend benefit provisions is assigned to the Branch County Board of Commissioners, the members of which are elected. Pension expense is recorded for the amount the Hospital is

Community Health Center of Branch County

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Notes to Financial Statements

December 31, 2005

contractually required to contribute for the year. The plan provides retirement and disability benefits, including annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The plan does not issue a separate financial report.

Funding Policy

The authority to establish and amend requirements of plan members and the Hospital is vested in the Branch County Board of Commissioners. Plan members are required to contribute 3% of the first \$4,800 of gross wages, plus 5% of the remaining amount. The Hospital is required to contribute at an actuarially determined rate; the rate was 6.08% and 6.45% of annual covered payroll for 2005, respectively. The Hospital's contributions to the plan for 2005, 2004 and 2003, were \$348,925, \$317,131 and \$231,593, respectively, which equaled the required contributions for each year.

Note 12: Contingencies

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 13: Retiree Medical Plan

The Hospital offers a group health insurance plan to former employees with 20 years or more of service who are at least 60 years of age, not eligible for Medicare benefits or other medical benefits, and did not terminate employment with the Hospital before January 1, 1998. Six former employees were participating in this plan on December 31, 2005. The Hospital pays the cost of this plan for participants. The Hospital had \$20,358 in expenses related to this plan in 2005 for costs actually incurred in the current year as recorded under the Hospital's current accounting methodology.

GASB has promulgated GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension*, which establishes standards for accrual basis measurement of post-retirement benefits and recording of associated liabilities.

The Hospital will be required to adopt the provisions of GASB Statement No. 45 in periods beginning after December 31, 2006. Adoption of these provisions would create the recognition of liability associated with the retiree medical plan if applied at December 31, 2005. No estimate of this potential liability is available at this time.

Community Health Center of Branch County
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Notes to Financial Statements

December 31, 2005

Note 14: Restatement of Prior Year's Financial Statements

In 2004, the Hospital adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and presented the Foundation as a discretely presented component unit. In 2005, the Hospital retroactively changed its accounting treatment of the Foundation per the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, to present the Foundation as a blended component unit within the Hospital financial statements. Due to this change, an adjustment of \$2,226,121, representing the net assets of the Foundation at December 31, 2004, has been added to the Hospital net assets as of the beginning of 2005 (the earliest financial statement period presented). This change decreased 2004 change in net assets of the Hospital's discretely presented component unit by \$884,386 and increased the Hospital's 2004 change in net assets by \$884,386.

Supplementary Information

Community Health Center of Branch County A Component Unit of Branch County, Michigan

Balance Sheet Information

December 31, 2005

	Community Health Center of Branch County	Community Health Center Foundation	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,058,491	\$ —	\$ 6,058,491
Short-term investments	2,940,893	—	2,940,893
Restricted cash and investments, current	4,502,168	886,110	5,388,278
Patient accounts receivable, net of allowances of \$1,357,000	4,921,567	—	4,921,567
Estimated amounts due from third-party payors	1,824,602	—	1,824,602
Inventories	1,570,913	—	1,570,913
Prepaid expenses and other	<u>1,149,477</u>	<u>—</u>	<u>1,149,477</u>
Total current assets	<u>22,968,111</u>	<u>886,110</u>	<u>23,854,221</u>
Noncurrent Cash and Investments			
Restricted by donors for capital acquisitions and specific operating activities	5,382,278	1,236,240	6,618,518
Less amounts required to meet current obligations	<u>(4,502,168)</u>	<u>(886,110)</u>	<u>(5,388,278)</u>
	880,110	350,130	1,230,240
Investments in equity investees	<u>323,273</u>	<u>—</u>	<u>323,273</u>
	<u>1,203,383</u>	<u>350,130</u>	<u>1,553,513</u>
Capital Assets, net	<u>18,765,201</u>	<u>1,043,750</u>	<u>19,808,951</u>
Other Assets	<u>510,521</u>	<u>—</u>	<u>510,521</u>
	<u>\$ 43,447,216</u>	<u>\$ 2,279,990</u>	<u>\$ 45,727,206</u>
Liabilities and Net Assets			
Current Liabilities			
Current maturities of long-term debt	\$ 382,251	\$ —	\$ 382,251
Accounts payable	1,795,398	—	1,795,398
Accrued expenses	3,032,655	—	3,032,655
Estimated self-insurance costs	<u>435,768</u>	<u>—</u>	<u>435,768</u>
Total current liabilities	<u>5,646,072</u>	<u>—</u>	<u>5,646,072</u>
Long-Term Debt	<u>4,755,275</u>	<u>—</u>	<u>4,755,275</u>
Net Assets			
Invested in capital assets, net of related debt	13,627,675	—	13,627,675
Restricted-expendable for specific operating purposes	461,670	2,279,990	2,741,660
Unrestricted	<u>18,956,524</u>	<u>—</u>	<u>18,956,524</u>
Total net assets	<u>33,045,869</u>	<u>2,279,990</u>	<u>35,325,859</u>
	<u>\$ 43,447,216</u>	<u>\$ 2,279,990</u>	<u>\$ 45,727,206</u>

Community Health Center of Branch County
A Component Unit of Branch County, Michigan
Statement of Revenues, Expenses and Changes in Net Assets Information
Year Ended December 31, 2005

	Community Health Center of Branch County	Community Health Center Foundation	Total
Operating Revenue			
Net patient service revenue, net of provision for uncollectible accounts of \$3,420,333	\$ 56,002,365	\$ —	\$ 56,002,365
Other	<u>391,132</u>	<u>—</u>	<u>391,132</u>
Total operating revenue	<u>56,393,497</u>	<u>—</u>	<u>56,393,497</u>
Operating Expenses			
Salaries and wages	23,455,829	—	23,455,829
Employee benefits	6,649,377	—	6,649,377
Purchased services and professional fees	7,703,054	—	7,703,054
Supplies	11,707,991	—	11,707,991
Other expenses	3,309,974	—	3,309,974
Depreciation and amortization	<u>2,788,577</u>	<u>—</u>	<u>2,788,577</u>
Total operating expenses	<u>55,614,802</u>	<u>—</u>	<u>55,614,802</u>
Operating Income	<u>778,695</u>	<u>—</u>	<u>778,695</u>
Nonoperating Revenue (Expenses)			
Investment income	313,443	52,270	365,713
Unrealized loss on investments	(23,957)	(42,973)	(66,930)
Interest expense	(151,415)	—	(151,415)
Gain on investment in equity investee	144,096	—	144,096
Donations, net of program expenses	<u>98,163</u>	<u>44,572</u>	<u>142,735</u>
Total nonoperating revenue	<u>380,330</u>	<u>53,869</u>	<u>434,199</u>
Increase in Net Assets	1,159,025	53,869	1,212,894
Net Assets, Beginning of Year	<u>31,886,844</u>	<u>2,226,121</u>	<u>34,112,965</u>
Net Assets, End of Year	<u>\$ 33,045,869</u>	<u>\$ 2,279,990</u>	<u>\$ 35,325,859</u>